

**MINUTES OF REGULAR MEETING  
OPEN SESSION  
ILLINOIS GAMING BOARD  
FEBRUARY 19, 2008  
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

On Tuesday, February 19, 2008 a Regular Meeting of the Illinois Gaming Board ("Board") was held in the conference room of the Gaming Board Offices on the 3<sup>rd</sup> floor at 160 N. LaSalle, Chicago, Illinois.

On Tuesday, February 19, 2008 at 9:45 a.m. the following Board Members were present: Chairman Aaron Jaffe, Members Charles Gardner, Eugene Winkler, James Sullivan and Joseph Moore.

At 9:45 a.m. on Tuesday, February 19, 2008 Member Gardner called the meeting to order. Pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, Member Gardner moved that **the Board retire to Closed Session to discuss the items listed under Closed Session on today's agenda and relating to the following subject matters:**

- 1. Pending Litigation and matters involving probable litigation;**
- 2. Investigations concerning applicants and licensees;**
- 3. Personnel matters; and**
- 4. Closed session minutes.**

Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote. The Board remained in Closed Session until approximately 12:50 p.m. The Board went into open session at 1:10 p.m.

Roll call was taken at the start of the open session with Chairman Jaffe, Members Gardner, Winkler, Sullivan and Moore present.

**APPROVAL OF MINUTES –**

Member Moore moved that **the Board approve the closed session minutes of its Regular Meeting of January 14, 2008 and January 15, 2008, the open session minutes of its Regular Meeting of January 15, 2008 and the amended open session minutes of the Regular Board meeting of December 18, 2007.**

Member Moore further moved **that the Board approve the closed session minutes of its Regular Meetings of June 21, 2006 and September 12, 2006.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

## **DISSEMINATION OF CLOSED SESSION MINUTES (March 24, 2005 – December 20, 2006)**

Member Sullivan moved to **make available for public inspection all portions of closed session minutes of the Illinois Gaming Board from March 24, 2005 through and including December 20, 2006, for which the need for confidentiality no longer exists.** Member Winkler seconded the motion. The Board approved the motion unanimously by roll call vote.

## **BOARD POLICY ITEMS -**

- Rulemaking – Rule 1050 – First Notice Pertaining to Check Cashing Procedures

Member Winkler moved to **authorize staff to submit proposed revisions to sections 3000.1050 of the Adopted Rules for First Notice Filing with the Secretary of State upon final review and approval of the Administrator.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

## **ADMINISTRATOR'S REPORT -**

Administrator Ostrowski stated that he is working with Tom Swoik to set up a general manager's meeting within the next 30 days.

Administrator Ostrowski also stated that a request was presented to him by Mr. Swoik stating that the industry is requesting 24 hour gaming. The Board and staff are requesting that each general manager should specify in writing the request to go to 24 hour gaming.

## **PUBLIC COMMENTARY –**

Gerald Carrington – Gaming Partners

Gaming Partners is a minority sponsored private equity fund, targeted in investments in the gaming industry. Mr. Carrington went on to state his background and the strategy of Gaming Partners. Gaming Partners seeks to create and fund minority and women owned companies who seek vendor as well as construction relationships with gaming companies.

Member Winkler stated that while Illinois leads in the mandate of ownership for minorities and women, we are behind Indiana in terms as to the opportunities required for minorities and women used in construction contracts and vendors. Mr. Carrington stated that Illinois law as a whole stands up to Indiana. Member Winkler says that we struggle with diversity issues facing the gaming industry on a daily basis.

Please see attached.

Anita Bedell –

Ms. Bedell stated her opinion of Penn National being able to retain the ownership of the Empress Casino. She went on to state that a resolution was read where Penn National would divest themselves of the Empress Casino. In March of 2006 Senator Haine spoke to the Board and the Board entered into an agreement with Penn National so that they could retain ownership of the Alton Belle. The Board extended the time for Penn to divest itself of the Empress until June, 2008. On May 21, 2007 Penn National asked the Board to reconsider Penn having to sell the Empress Casino. According to the minutes, Jordan Savage addressed the Board and stated that Penn had kept their promise, the promise being to divest themselves of two casinos. Ten days later, May 31, 2007 tucked away in a massive expansion bill; any licensed owner who owns three or more licenses as of that date will continue to hold the licenses. Penn was the only one who owned three licenses. In June of 2007 Penn agreed to a buyout by Fortress and Centerbridge with the current senior staff retaining their positions. Last month, several legislators and members of the Joliet community asked that Penn be allowed to retain ownership of the Empress Casino. Penn will own 3 out of 9 casinos in the State of Illinois. Ms. Bedell went on to further ask if the Attorney General was asked to give an opinion about the impact of Penn retaining three licenses. The original Riverboat Gaming Act stated verbiage concerning the concentration of ownership of the licenses.

Member Gardner wanted to know the source of the comments pertaining to undue economic concentration which was the main reason for the arrangement for Penn to divest. Ms. Bedell stated that was in the minutes of September 26, 2005. For clarification Member Gardner asked about the original gaming act allowing for ownership of 1 license and 10% of another.

#### **OWNER LICENSEE ITEMS –**

a. Item for Initial Consideration –

- Par-A-Dice Casino License Renewal –

Presentation was made by Par-A-Dice Casino

Full Text or Presentation Attached

Keith Smith President and Chief Executive Officer addressed the Board. Member Winkler asked about the level of poverty in Peoria. Mr. Smith stated that he was not familiar with the specific levels. Member Winkler stated that buying a dog at a cost of \$10,000 for the Peoria Police Department just isn't something he would think about in an area that has a high poverty level. Out of the 9 casinos, Par-A-Dice is one of the lowest in charitable giving. Mr. Daly addressed the Board stating that there was an increase in charitable giving the last several years.

Member Moore asked about the MBE and WBE total spending. Member Moore stated the numbers are very low. Smith stated some of the numbers are due to a change in the way people are certified. PAD has been making an effort to raise the numbers.

Member Winkler stated that the charitable giving must increase. Whether or not the employees are the ones involved in donating time to charitable giving is not the point. Member Winkler stated that he wants to see an increase in the cash amount contributed by PAD.

Member Moore asked what is the amount of men and women of color in Level 1 positions. Mr. Smith went on to say that in senior management there are 4 women and one minority out of 10 members of senior staff. Member Moore asked if that one minority is a person of color, and Mr. Smith replied that the Director of Finance is Hispanic.

Member Gardner commented on Mr. Corrado's letter of February 5, 2008 pertaining to the comments made last year. Mr. Gardner stated that is the proactive approach that the Board likes to see.

b. Items for final action

- Penn National Gaming – Request to Eliminate Obligation to Sell Empress

Mr. Carlino addressed the Board.

Mr. Carlino announced that Mr. Wilmott is now the President and Chief Operating Officer of Penn. Mr. Wilmott then introduced himself to the Board.

Member Gardner stated that the primary reason for the requirement of divestiture was undue economic influence. The original agreement was extended to see what transpired and let practice tell us how Penn would behave further down the road. The original agreement did allow both petitioning the Board for reconsideration and seeking relief in other areas. In no way has Penn violated that original agreement. Member Gardner went on to state that the information that Mr. Carlino provided regarding the diversity plans were disappointing. In the package a plan was explained for the development of the race track in Pennsylvania, however no results were supplied. Mr. Carlino stated that the race track just opened the beginning of February, 2008. Mr. Carlino stated that the final report was not sent, a template for what will be done in Illinois was to be sent. Mr. Gardner stated that the Board is impressed with Penn's commitment to spend \$50M at the Empress and implication by your statement a diversity plan will be implemented in the expenditure of the \$50M.

Member Moore expressed concern over the Board's social investment strategy which Mr. Carlino apparently is not aware of. If the senior person does not have the commitment, then there is a concern. Member Moore asked if the \$50M expenditure will be diversified. Mr. Moore also went on to comment on the lack of people of color in the senior management ranks of Penn.

Mr. Carlino stated that he understands the issue raised by Member Moore. Before any money is spent all will be discussed with the Board and the Board's concerns will be taken very seriously.

Member Sullivan stated that he too agrees with the Board members' concerns. The key issue here is whether there is any evidence of undue economic concentration and that is the reason why Member Sullivan will vote the way he does.

Member Winkler stated that he will vote "No" when the vote is taken for whether Penn be allowed to retain the Empress. It is not due to the economic concentration, it is a matter of bad faith. Member Winkler also made reference to the Attorney General's letter of December, 2007. Member Winkler is very concerned about good faith, the Board's integrity is at stake and Penn has manipulated the Board. The \$50M you have promised and the diversity that you have promised, the Board will hold you to your word.

## **RESOLUTION**

Member Gardner offered the following Resolution:

**WHEREAS**, on November 3, 2004 Penn National Gaming, Inc. (Penn National) and Argosy Gaming Company (Argosy) entered into an Agreement and Plan of Merger;

**WHEREAS**, on September 29, 2005 the Illinois Gaming Board (Gaming Board) approved the merger of Penn National and Argosy as well as Penn National's request to sell the Empress Casino and the Alton Belle Casino pursuant to the Penn-Argosy Merger Approval Agreement (Agreement);

**WHEREAS**, pursuant to the terms of the Agreement, Penn National was required to enter into a Definitive Sales Agreement to sell both the Empress Casino and the Alton Belle Casino by December 31, 2006;

**WHEREAS**, on March 6, 2006 the Gaming Board approved Penn National's request to not sell the Alton Belle Casino and extended the time for Penn National to enter into a Definitive Sales Agreement to sell the Empress Casino until June 30, 2008 (the Amendment);

**WHEREAS**, pursuant to the terms of the Penn-Argosy Merger Approval Agreement, Penn National was permitted to and has requested that the Gaming Board reconsider the terms of the Agreement and the Amendment;

**WHEREAS**, on May 16, 2007 Penn National specifically requested that the Gaming Board eliminate Penn National's obligation to sell the Empress Casino;

**WHEREAS**, prior to and following the merger between Penn National and Argosy, the Gaming Board was concerned with undue economic concentration occurring as a result of Penn National's ownership of three riverboat casino operations in Illinois.

**WHEREAS**, in fact undue economic concentration has not occurred as a result of Penn National's ownership of three riverboat casinos in Illinois. Reissuance of the State's 10<sup>th</sup> Owner's License will further negate concerns of undue economic concentration.

**WHEREAS**, the Gaming Board will continue to monitor for undue economic concentration in the Illinois Riverboat Gambling industry and take appropriate action if warranted.

**NOW THEREFORE, BE IT RESOLVED** as follows: Penn National's obligation to sell the Empress Casino pursuant to the terms of the amended merger approval agreement is hereby eliminated.

Chairman Jaffe stated that he studied this Penn situation very intently and believes that no undue economic concentration has occurred. The Chairman also stated that Penn's intent to invest \$50M into the Empress Casino is very important. The Chairman also stated that the 10<sup>th</sup> license will be up for bidding soon, and at this time it would also hinder the sale of the Empress property with the 10<sup>th</sup> license being available.

Member Gardner moved to adopt the foregoing resolution. Member Sullivan seconded the motion. The motion passed four to one with Member Winkler voting "no."

Mr. Froelich addressed the Board indicating that he would like to speak with Member Winkler privately and does respect the opinion of Member Winkler.

Member Gardner asked Mr. Carlino about the information for the \$350M Pennsylvania project.

- Penn National Gaming – Kyle Justin Martin, Regional Director of Internal Audit – Key Person

Based on a review of staff's investigation and recommendation, Member Moore moved that **the Board approve Kyle Justin Martin as a Key Person for Argosy Casino Alton, Empress Casino Joliet and Hollywood Casino – Aurora in the position of Director of Internal Audit at Penn National Gaming, Inc.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

#### **SUPPLIERS LICENSEE ITEM -**

- Atronic Americas, LLC - Kenneth L. Bossingham, COO – Key Person

Based on a review of staff's investigation and recommendation, Member Sullivan moved that **the Board approve Kenneth L. Bossingham as a Key Person for Atronic Americas, LLC in the position of Chief Operating Officer.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

- Atronic Americas, LLC – Gerhard H. Burda, Chief Executive Officer – Key Person

Based on a review of staff's investigation and recommendation, Member Winkler moved that **the Board approve Gerhard H. Burda as a Key Person for Atronic Americas, LLC in the position of Chief Executive Officer.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

## **OCCUPATIONAL LICENSES APPROVALS & DENIALS - Level 2's & 3's**

Based on staff's investigation and recommendation, Member Gardner moved that **the Board approve 28 applications for an Occupational License, Level 2, and 139 applications for an Occupational License, Level 3.**

Further, Member Gardner moved that **the Board direct the Administrator to issue a Notice of Denial to the following individuals who received notice that staff intended to recommend denial and either did not respond or provide additional information to rebut the recommendation.**

- 1. Dana Maitland;**
- 2. Lamar Herring;**
- 3. Jessica James;**
- 4. Sophia Johnson;**
- 5. Eric Davidson, and**
- 6. Joseph Wojciechowski.**

Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

## **PROPOSED COMPLAINTS AND DISCIPLINARY ACTIONS**

- Armando Mondragon – Occupational Licensee

Based on staff's investigation and recommendation, Member Moore moved that **the Board issue a Disciplinary Complaint against Armando Mondragon, an occupational licensee, for failing to disclose his December 9, 2007 and January 20, 2008 arrests.**

Further, Member Moore moved that **the Board suspend Armando Mondragon's occupational license for 7 days without pay. Said action to take effect twenty-one (21) days from the date of service of the complaint unless the licensee files an Answer within that time period.** Member Sullivan seconded the motion. The Board approved the motion unanimously by roll call vote.

- Gaspare Casamento - Occupational Licensee

Based on staff's investigation and recommendation, Member Sullivan moved that **the Board issue a Disciplinary Complaint against Gaspare Casamento, an occupational licensee, for failing to disclose his October 30, 2007 arrest.**

Further, Member Sullivan moved that **the Board suspend Gaspare Casamento's occupational license for 5 days without pay. Said action to take effect twenty-one (21) days from the date of service of the complaint unless the licensee files an**

**Answer within that time period.** Member Gardner seconded the motion. The Board approved the motion unanimously by roll call vote.

**ADJOURNMENT -**

At 2:20 p.m. Member Winkler motioned for adjournment while Member Sullivan seconded the motion.

Respectfully submitted,

Mary C. Boruta  
Secretary to the Administrator